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FM AMEMBASSY HARARE
TO RUEHC/SECSTATE WASHDC 3468
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 2082
RUEHAR/AMEMBASSY ACCRA 2310
RUEHDS/AMEMBASSY ADDIS ABABA 2429
RUEHRL/AMEMBASSY BERLIN 0944
RUEHBY/AMEMBASSY CANBERRA 1707
RUEHDK/AMEMBASSY DAKAR 2062
RUEHKM/AMEMBASSY KAMPALA 2483
RUEHNR/AMEMBASSY NAIROBI 4915
RHEHAAA/NSC WASHDC
RHMFISS/EUCOM POLAD VAIHINGEN GE
RUEHGV/USMISSION GENEVA 1578
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK
RHEFDIA/DIA WASHDC
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 03 HARARE 000862

AF/S FOR G.GARLAND
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN
TREASURY FOR J.RALYEA AND T.RAND
STATE PASS TO USAID FOR L.DOBBS AND E.LOKEN
COMMERCE FOR BECKY ERKUL

SIPDIS

E.O.12958: N/A
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SUBJECT: ZIM NOTES 09-19-2008

[1](#)1. SUMMARY

Topics of the week:

- Mugabe and Tsvangirai sign deal
- Mugabe Retains Significant Power
- Tsvangirai Briefs Diplomats on Challenges
- MDC and ZANU-PF Reactions to the Deal Differ Sharply
- Students Arrested
- Labor Leaders' Case Referred to Supreme Court
- Zim Dollar Appreciates Following Signing Of Agreement
- Another Step Toward Dollarization
- SADC Tribunal Dismisses Black Zim Farmers Land Claim
- Gono Issues New Z\$1,000 Note and Increases Withdrawal Limit
- Mostly Miserable Company Results Through June

[1](#)2. Price Movements-Exchange Rate and Selected Products

Parallel rate for cash appreciated to Z\$480:US\$1

Bank transfer appreciated slightly to Z\$45,000:US\$1 against
inter-bank average of Z\$97:US\$1

Bread on the parallel market rose to Z\$1,200

Sugar is steady at \$1,000/2kg

Petrol and diesel rose to Z\$1,000/liter

On the Political/Social Front

[1](#)3. Mugabe and Tsvangirai sign deal... In a ceremony attended by

other African leaders, President Robert Mugabe and Prime Minister Morgan Tsvangirai signed their power sharing agreement on September 15 in Harare. Tsvangirai gave a concise speech discussing Zimbabwe's future and how to address the economic and social crises. In contrast, Mugabe spoke for nearly an hour as he outlined the (external) sources of Zimbabwe's ills. See Harare 833.

¶4. Mugabe Retains Significant Power... In the new power-sharing deal, Mugabe retains many of his executive powers such as chairing the National Security Council and the Cabinet, the ability to appoint the two Vice Presidents, 15 of the 31 members of Cabinet, and 8 senators. As Prime Minister, Morgan Tsvangirai's power centers on his chairmanship of the Council of Ministers and overseeing policy formulation. Arthur Mutambara is now a Deputy Prime Minister. See Harare 842.

¶5. Tsvangirai Briefs Diplomats on Challenges... In a briefing to the diplomatic corps on September 19, Tsvangirai described the contentious negotiation process and stalled allocation of ministries. With Mugabe scheduled to leave for the UNGA, little progress is expected in the near term. Tsvangirai also raised the prospect of having to go back to South Africa or SADC to get support for an equitable share. See Harare 855.

¶6. MDC and ZANU-PF Reactions to the Deal Differ Sharply... There is considerable optimism about the agreement among MDC supporters. While cautious, they are hopeful the deal will lead to tangible quality-of-life benefits. Zimbabwean and South African trade unions were not as optimistic and have criticized the agreement, and ZANU-PF insiders are engaged in a scramble to retain lucrative posts

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and influence. Significant questions remain as to how the deal will work and how the new government will function. See Harare 837, 840, 842, 843, and 854.

¶7. Students Arrested... 10 students at Bindura University were arrested on September 16 while protesting university fee increases (from \$8000 to \$30,000). The students were charged with criminal nuisance, fined \$2000 and released after spending one night in jail.

¶8. Labor Leaders' Case Referred to Supreme Court... The freedom of speech case involving Zimbabwe Congress of Trade Unions' Secretary General Wellington Chibebe and President Lovemore Matombo will be heard by the Supreme Court on December 5. The two were arrested and accused of "communicating falsehoods" and "inciting the public to rise against the government" after a speech on May 1. As a condition of bail, granted on May 19, they were barred from addressing any political gathering until the matter is finalized.

On the Economic and Business Front

¶9. Zim Dollar Appreciates Following Signing Of Agreement... The Zimbabwe dollar appreciated somewhat on the foreign exchange market with the bank transfer rate moving from about Z\$50,000:US\$1 a week ago to Z\$45,000:US\$1 by September 18, 2008. Zimbabwe dollar cash also appreciated from Z\$550:US\$1 to Z\$480:US\$1 over the same period. The appreciation largely reflects market anticipation of significant foreign currency inflows following the signing of the power-sharing agreement. Given the current political stalemate and donors' wait-and-see attitude, the appreciation is likely to be short lived.

¶10. Another Step Toward Dollarization... The Reserve Bank of Zimbabwe this week authorized exporters, with RBZ approval, to pay salaries in foreign currency to employees with "critical skills."

¶11. SADC Tribunal Dismisses Black Zim Farmers Land Claim... The SADC regional tribunal dismissed the complaint of over 300 black Zimbabweans that, because of the Tribunal's interim restraining order in the Campbell case contesting seizure of white-owned farms, they could not move onto land allocated to them by the GOZ. The ruling judge said the applicants had not exhausted their legal

options in Zimbabwe, and called the application frivolous and an abuse of process.

¶12. Gono Issues New Z\$1,000 Note and Increases Withdrawal Limit... In view of skyrocketing inflation, the RBZ issued a new Z\$1,000 note (about US\$2 at today's cash rate) and doubled the daily cash withdrawal limit to Z\$1,000. Indicating a worsening cash shortage, banks are no longer getting their desired daily cash allocation from the RBZ.

¶13. Mostly Miserable Company Results Through June...

- In interim results to June 30, 2008, Hwange Colliery Company reported a 19% drop in total coal sales from 1,069,890 MT in H1 2007 to 862,393 MT.

- Furniture giant TEDCO announced in the same reporting period turnover down 85% and a push into higher-margin markets in South Africa close to the Zimbabwe border.

- Dairibord's exports in the same period were up 23% but raw milk intake fell by 39%, indicating one reason why milk products disappeared from Zimbabwe's shelves this year.

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- National Foods reported milling volumes down 61% in the reporting year; the volume of oil processed was down 86%; the stock feed plant operated at 3.2% capacity; and of the company's fleet of 143 vehicles, 113 were out of service due to shortages of spares and tires.

Quote of the Week - On the same page?

President Robert Mugabe, addressing the ZANU-PF Central Committee on September 17: "Anyhow here we are, still in a dominant position which will enable us to gather more strength, as we move into the future. We remain in the driving seat." The Herald, Thursday September 18, Pg 2.

Prime Minister Morgan Tsvangirai referring to his relationship with Mugabe in a radio interview on September 17: "I'm quite certain his commitment to the agreement is unquestionable... at a personal level, we don't have a strained relationship." The Herald, Thursday September 18, Pg 2.

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